



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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August 30, 1994

Mr. Benjamin L. Terry
Phoenix Mining LLC
P.O. Box 369
Lyman, Utah 84747-0369

Re: Amended Notice of Intention, Sundance Mining Company, Sundance Mill, S/055/010, Wayne County, Utah

Dear Mr. Terry:

The Division has received your letter dated August 22, 1994, which you hand delivered to us on the same date. Following our meeting and discussions regarding your proposed plans and after closer examination of the information contained within the letter, we have the following understanding of the operations proposed for the Sundance mill site:

- * Phoenix Mining LLC plans to use a basic water separation process to concentrate the sulfide (precious metal-bearing) component from previously trommelled placer tailings, that will be brought onto the millsite area. Several permitted mining properties located near Hanksville, Utah will be the source of the tailings/ore material (Bromide Basin, Mineral Mtn., etc.). Your pencil sketched drawing shows a series of 4 small (*plastic-lined?*) ponds to be used to store water for concentrating the tails. A local irrigation canal will be used as the water source. It is our understanding that you have appropriate water rights for use of the canal water. Your existing Small Mining Notice of Intention for this mill site proposed to use a series of steel tanks/vessels to hold process water and chemical solutions. You have now indicated that the washing/concentrating process will recycle/reuse water from the storage ponds and that no chemicals will be used.
- * You indicated that the rejected waste material from the concentrating process will consist principally of sand, gravel and clay fines. You stated that these reject materials will be returned to the respective mine sites for backfilling and reclamation purposes, or they will be stockpiled and ultimately reclaimed at the mill site. The concentrates will be shipped off to a smelter for further refinement and recovery of the precious metals (Barrick Mercur or Cyprus were mentioned).
- * You also stated that a surface runoff and erosion control berm will be implemented to prevent offsite sediment contamination that may result from activities conducted on the disturbed areas associated with the mill site. Your original mill site proposal included a provision to direct disturbed area surface runoff into a sediment basin to prevent offsite contamination. We



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would encourage you to use a sediment basin(s) in the event you do not use a berm(s) to provide total containment of disturbed area runoff and sediments onsite.

Before we can finalize our acceptance of this permit amendment, we request the following information:

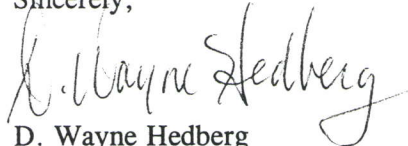
1. Our mine files presently list Sundance Mining Company as the responsible owner/operator of record for the mill site located in Lyman, Utah. You verbally informed us that Sundance Mining Company may no longer exist as an operating company and that you will be purchasing the mill site and continue to operate this facility as Phoenix Mining LLC (your new company).

In order for us to formally transfer the permit for this mill site from Sundance Mining Company to Phoenix Mining LLC, we will need to have a permit transfer form completed (copy enclosed). The transfer form must be signed by an appropriate representative from both companies, notarized and then returned to this office for approval by the Division Director.

Please be advised that we can only amend the existing permit to include those activities/actions which are *clearly* described in writing as being part of the proposed plan of operations for the mine or mill site. We cannot act upon or approve of general verbal descriptions because of the difficulties that often arise in personal interpretations of what was actually discussed or intended. If any of the descriptions contained within this letter are inaccurate, then you will need to provide us with written notification of the corrections before you proceed.

For your convenience, we have also enclosed a copy of our permit amendment/revision form which can be used to assist you in revising your permit application(s) in the future. Thank you for your cooperation and assistance in resolving these remaining permitting concerns. Please call me, Travis Jones, or Tony Gallegos of my staff, if you have questions regarding this letter. Good luck with your mining venture and we look forward to hearing from you soon.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosures *- Transfer + Revision*
cc: Frank "Buzz" Rakow, Henry Mtn. RA, BLM
Lyle Stott, DWQ
Tony Gallegos, DOGM
S055010.amd